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INTRODUCTION

The Office of Internal Audit performed an audit of Inkster District, Wayne County FIA for the period October 1, 2002 through November 30, 2003. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Inkster District had 70 full time equated positions (FTE's) at the time of our review. Inkster District provided assistance to an average 16,378 recipients per month during FY 2002, with total assistance payments of $23,287,191 47 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Inkster District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Safe and Controlled Documents	Procurement Card
CMIS/ASSIST	Client Processing
Payroll and Timekeeping	Employment Support Services
State Emergency Relief	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Inkster District's internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's

authorization. We found several instances of noncompliance with FIA policies and procedures and weaknesses in internal controls, which are detailed below.

DISTRICT RESPONSE

The management of the Inkster District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated January 26, 2004 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

CIMS/ASSIST Security

CIMS Security Agreements and Security Officers Log

1. Inkster District did not have accurate, up-to-date CIMS Security Agreements (FIA-3974A) on file for all employees who access the Client Information Management System (CIMS), as required by L-Letter 97-063. Twelve out of 89 employees had a status code indicated on the FIA-3974A that did not agree with the current status code listed on the Operator Identification Report (PF-011). An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with their CIMS access, and that the supervisor approves the level of CIMS access.

    In addition, the Inkster District did not reconcile the CIMS Security Officer's Log Report (PD-180) to the Security Agreements (FIA-3974A's), as recommended by the Primary Internal Control Criteria for Local/District Office Operations. Reconciliation of these reports ensures that all changes made are accurate and approved by supervision.

WE RECOMMEND that the Inkster District ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file.

WE FURTHER RECOMMEND that Inkster District reconcile the PD-180 report to the revised Security Agreements.

CIMS Status Codes

2. Three clerks at the Inkster District had FLM status on the Client Information Management System (CIMS). These status codes allow these individuals to process transactions that are not necessary for their positions.

WE RECOMMEND that the Inkster District either change the clerks to inquiry only status on CIMS or customize their status to allow them only the FLM transactions they need to perform their duties, and have an independent person review 100% of the transactions processed by them.

MA-010 Reconciliation - Supplemental Payments and Case Openings

3. Inkster District did not reconcile a sample of the Supplemental Payments or new case openings listed on the Transaction Control Listing (MA-010), as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciling a sample of Supplemental Payments listed on the MA-010 to the Supplemental Payment Authorizations (FIA-13) and other supporting documentation will ensure that payments made are accurate and appropriate. Reconciling a sample of new case openings listed on the MA-010 to the case file documentation will provide assurance that their assigned workers opened the cases.

WE RECOMMEND that Inkster District reconcile a sample of the Supplemental Payments on the MA-010 Report to the FIA-13's and other supporting documentation.

WE FURTHER RECOMMEND that Inkster District reconcile a sample of case openings on the MA-010 Report to the appropriate documentation in the case file.

Payment Authorization Files

4. Inkster District did not maintain a file of Supplemental Payment Authorizations (FIA-13). Accounting Manual Item 404 requires that a permanent file of FIA-13's be kept in either alphabetical or case number order. Maintaining the FIA-13's in either alphabetical or case number order provides an audit trail to easily detect how many supplemental payments a client has received, and makes the FIA-13's easy to retrieve if needed at a later date.

WE RECOMMEND that Inkster District maintain a permanent file of the FIA-13's in alpha or case number order.

Payroll and Timekeeping

Supervisor's Approval of Time and Attendance Reports

5. Inkster District supervisors did not always approve the employees' Time and Attendance Reports (FIA-4299). For the month reviewed there were twelve FIA-4299's that were not approved by the supervisors. The Primary Internal Control Criteria for Local/District Office Operations recommends that the supervisor approve the employee time and attendance reports, attesting to the accuracy of all reported time.

WE RECOMMEND that the Inkster District ensure that the employee's supervisor signs all FIA-4299's.

Reconciliation of HR-332A to the Turnaround HR-332A

6. Inkster District did not reconcile the turnaround HR-332A to the original HR-332A report a week after the time was submitted. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper reconcile the turnaround HR-332A report to attest to the accuracy of the payroll.

WE RECOMMEND that Inkster District have someone other than the timekeeper reconcile the original HR-332A report to the turnaround HR-332A report to verify the accuracy of the payroll.

Certification of Time before Certifier Approves

7. Inkster District had the timekeeper certify the payroll before the original HR-332A report was printed and signed by the certifier. The Primary Internal Control Criteria for Local/District Office Operations recommends the certifier approve the time before the timekeeper pushes the certify button to release the time, so that any unauthorized changes the timekeeper made after the HR-332A is certified would be detected.

WE RECOMMEND that Inkster District have the certifier approve the time before it is released to DCDS.

Procurement Card

Approval of Transaction Detail

8.   Inkster District did not require that original documentation be retained to document Procurement Card purchases. We found two instances where the Inkster District did not have original receipts or invoices in support of the Transaction Detail. The Procurement Card Program Manual requires that the cardholder must retain all receipts and invoices to document the transactions listed on Transaction Detail.

WE RECOMMEND that the Inkster District ensure that the Procurement Card holders retain original receipts or invoices for all transactions.